

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

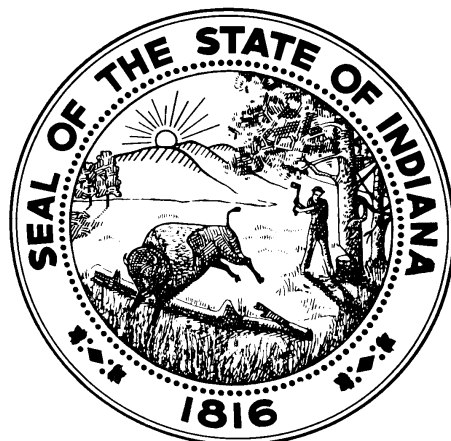
EXAMINATION REPORT

OF

TOWN OF DEMOTTE

JASPER COUNTY, INDIANA

January 1, 2007 to December 31, 2008



**FILED**  
03/09/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Margaret M. Woods	01-22-07 to 12-31-11
President of the Town Council	Mark W. Boer	01-01-07 to 12-31-09



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF DEMOTTE, JASPER COUNTY, INDIANA

We have examined the financial information presented herein of the Town of DeMotte (Town), for the period of January 1, 2007 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 24, 2009

TOWN OF DEMOTTE  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 205,097	\$ 993,697	\$ 1,128,714	\$ 70,080
Motor Vehicle Highway	63,932	119,033	107,324	75,641
Local Road and Street	-	17,662	11,120	6,542
Park Nonreverting Operating	1,935	15,333	14,032	3,236
Park Donation	38,464	28,422	8,495	58,391
Law Enforcement Continuing Education	2,117	3,452	2,475	3,094
Rainy Day	61	48,479	-	48,540
CEDIT	11,009	106,676	17,560	100,125
Local Attendance Officer Grant	108	2,000	1,765	343
Local OWI Fund	247	4,000	3,903	344
US 231 Project Audit Fund	-	19,755	19,755	-
Water Permit Nonreverting	(655)	3,848	3,113	80
IDEM Leaf Grant	-	10,474	-	10,474
Lease Rental	30,930	16,020	57,300	(10,350)
Cumulative Capital Improvement	14,955	11,359	2,800	23,514
Cumulative Capital Development	83,872	14,027	58,265	39,634
Proprietary Funds:				
Wastewater Utility - Operating	155,937	837,508	830,378	163,067
Wastewater Utility - Bond and Interest	64,795	482,825	470,987	76,633
Wastewater Utility - Debt Reserve	366,228	22,540	-	388,768
Wastewater Utility - Construction	481,480	254,235	466,744	268,971
Fiduciary Funds:				
Town Court	1,700	10,132	9,944	1,888
Payroll	-	1,117,254	1,117,254	-
Totals	<u>\$ 1,522,212</u>	<u>\$ 4,138,731</u>	<u>\$ 4,331,928</u>	<u>\$ 1,329,015</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 70,080	\$ 1,480,822	\$ 1,533,985	\$ 16,917
Motor Vehicle Highway	75,641	87,488	114,106	49,023
Local Road and Street	6,542	17,269	16,309	7,502
Park Nonreverting Operating	3,236	15,855	13,017	6,074
Park Donation	58,391	1,500	10,749	49,142
Law Enforcement Continuing Education	3,094	3,782	1,125	5,751
Rainy Day	48,540	95,980	9,108	135,412
CEDIT	100,125	109,777	49,283	160,619
Local Attendance Officer Grant	343	-	-	343
Local OWI Fund	344	4,000	4,166	178
Water Permit Nonreverting	80	1,872	1,500	452
IDEM Leaf Grant	10,474	8,793	19,267	-
MVH Sign Non Reverting	-	275	-	275
LOIT - Public Safety	-	110,168	18,120	92,048
NW IN Solid Waste Grant	-	13,910	13,910	-
Lease Rental	(10,350)	72,434	55,300	6,784
Cumulative Capital Improvement	23,514	10,517	789	33,242
Cumulative Capital Development	39,634	64,773	46,815	57,592
Proprietary Funds:				
Wastewater Utility - Operating	163,067	893,884	933,482	123,469
Wastewater Utility - Bond and Interest	76,633	307,993	303,257	81,369
Wastewater Utility - Debt Reserve	388,768	5,879	-	394,647
Wastewater Utility - Construction	268,971	550,700	104,209	715,462
Fiduciary Funds:				
Town Court	1,888	11,732	11,523	2,097
Payroll	-	1,184,734	1,184,540	195
Totals	<u>\$ 1,329,015</u>	<u>\$ 5,054,137</u>	<u>\$ 4,444,560</u>	<u>\$ 1,938,593</u>

The accompanying notes are an integral part of the financial information.

TOWN OF DEMOTTE  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF DEMOTTE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Town Hall	\$ 53,329	\$ 53,329
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1997 Wastewater Refunding	\$ 155,000	\$ 58,138
2000 Wastewater SRF Construction	2,380,000	179,020
2005 Wastewater Construction	650,000	67,215
Total business-type activities debt:	\$ 3,185,000	\$ 304,373



TOWN OF DEMOTTE  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Margaret Woods, Clerk-Treasurer December 31, 2007 to December 31, 2008  
Margaret Woods, Clerk-Treasurer December 31, 2008 to December 31, 2009

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

OVERDRAWN FUND BALANCES

The fund balance of the Lease Rental Payment Fund was overdrawn in 2007 by \$10,350. A similar comment was in prior Report B29687.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OLD OUTSTANDING CHECKS

Our review of the bank reconcilements as of December 31, 2008, revealed checks outstanding in excess of two years.

IC 5-11-10.5-2 states in part:

"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5(a) states:

"Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks."

TOWN OF DEMOTTE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ORDINANCES AND RESOLUTIONS – UTILITY

We tested a sample of utility bills to insure the bills were being calculated in accordance with the rate ordinance. Three of ten bills tested were calculated incorrectly. A similar comment was issued in prior Reports B29687 and B26740.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

Payments totaling \$15,000 were made to the Jasper County Industrial Foundation for economic development assistance in 2008 without a contract. Payments totaling \$76,982 were made for the Northwest Jasper Regional District (NORWEJ) for various planning stages expenses in 2007 and 2008 without a promissory note. A similar comment was issued in prior Report B29687.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX

Some claims included sales tax, which was subsequently paid to the vendor.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS – TOWN COURT

Financial records presented for examination were incomplete and not reflective of the activity of the Town Court. The records presented did not provide correct footed totals of receipts and disbursements nor provide correct ending cash balances.

The official did not perform monthly bank reconciliations. A bank reconciliation as of December 31, 2008, indicated cash necessary to balance of \$163.00. Similar comments were noted in the prior three Reports B26739, B26740, and B29687.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF DEMOTTE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week. A similar comment was in prior Report B29687.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CAPITAL ASSET RECORDS

Neither the Town nor the Utility maintain sufficient detailed records of capital assets. A similar comment was issued in prior Report B29687.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS – BUILDING DEPARTMENT

The Building Department has a resolution that determines fees for building permits for new construction, residential and commercial, additions, remodels, re-roofs, signs, etc. The Building Department charged fees that did not agree with their resolution.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION – PARKS DEPARTMENT

Cash register tapes for pool daily admittances and concessions were thrown away and not available for examination to determine if the amount of deposit agrees with monies received.

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

ADVANCE PAYMENTS – PAYROLL

Dates of transactions indicate that 2007 and 2008 year-end payrolls were paid to employees prior to the end of the pay period.

TOWN OF DEMOTTE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY LOANS RECEIVABLE

The Northwest Jasper Regional District (the District) was organized in 2004 for the purpose of constructing and operating a water utility for the Town of Demotte. In order for the District to apply for the grant money necessary to fund this project, the DeMotte Wastewater Utility paid for various expenses related to the planning stage of the project. The Utility then secured promissory notes for \$141,872.62 (December 2004), \$546 and \$4,117 (March 2006), and \$300 (May 2007) from the District to provide for the reimbursement of these advances when the District received their grant funds. The Utility has made additional loans totaling \$76,285 for which no promissory notes have been secured. The total due to Demotte Wastewater Utility as of December 31, 2008, was \$223,818.57. As of December 31, 2008, the District has not made any payments on these loans. A similar comment was in prior Report B29687.

IC 36-9-23-25 establishes that rates and charges for wastewater (sewage) utilities must be "just and equitable." "Just and equitable" fees are defined as those "required to maintain the sewage works in the sound physical and financial condition necessary to render adequate and efficient service." We see no statutory authority for the wastewater utility to make loans to other entities or for the wastewater utility to pay another entity's expenses.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSIT OF FUNDS – TOWN COURT

In some instances, receipts tested were deposited later than the next business day. It was also noted that some deposit classifications did not match the receipt classifications (cash, check, MO). Some receipts did not have anything marked for payment type (classification).

All funds collected by a city or town court shall be deposited not later than the business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds. [IC 5-13-6-1(d)] (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

All funds shall be deposited in the same form in which they were received.

TOWN OF DEMOTTE  
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2009, with Margaret M. Woods, Clerk-Treasurer; and Heather Tokarz, Deputy Clerk-Treasurer. The officials concurred with our findings.